

P-421/CP-91-185; P-421/CP-91-186; P-421/CP-91-187;
P-421/CP-91-249 ORDER REQUIRING REVISED TRAFFIC STUDIES, COST
STUDIES AND PROPOSED RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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In the Matter of the Petitions
for Extended Area Service from
the Hinckley Exchange to the
Pine City, Mora, and Sandstone
Exchanges

ISSUE DATE: November 12, 1991

DOCKET NOS. P-421/CP-91-185
P-

421/CP-91-186

P-421/CP-91-187

In the Matter of a Petition for
Extended Area Service from the
Sandstone Exchange to the
Hinckley Exchange

DOCKET NO. P-421/CP-91-249

ORDER REQUIRING REVISED TRAFFIC
STUDIES, COST STUDIES AND
PROPOSED RATES

PROCEDURAL HISTORY

On March 13, 1991, subscribers in the Hinckley exchange submitted three petitions: one for EAS between Hinckley and Pine City (Docket No. P-421/CP-91-185), one for EAS between Hinckley and Mora (Docket No. P-421/CP-91-186) and one for EAS between Hinckley and Sandstone (Docket P-421/CP-91-187). These dockets have been joined for joint processing and are referred to as the Hinckley group.

On April 1, 1991, subscribers in the Sandstone exchange filed a petition for EAS between the Sandstone exchange and the Hinckley exchange. Docket No. P-421/CP-91-249.

On April 26, 1991 U S West Communications, Inc. (USWC) filed traffic studies for the Hinckley group showing that more than 50% of the Hinckley subscribers place one or more calls per month to each of the exchanges in the Hinckley group: Pine City, Mora, and Sandstone.

On May 24, 1991, the Minnesota Department of Public Service (the Department) recommended that the Commission direct USWC to file cost studies and proposed rates for the Hinckley group.

On June 6, 1991, USWC filed a traffic study for the Sandstone - Hinckley route showing that more than 50% of the Sandstone subscribers place one or more calls per month to Hinckley.

On June 12, 1991, the Department recommended that the Commission direct USWC to file cost studies and proposed rates for the Sandstone-Hinckley route.

The Commission met on October 29, 1991 to consider this matter.

FINDINGS AND CONCLUSIONS

According to the extended area service (EAS) statute, the Commission must grant a petition to install EAS if 1) the petitioning exchange is contiguous to the petitioned exchange or local calling area, 2) at least 50% of the customers in the petitioning exchange make one or more calls per month to the petitioned exchange or local calling area, and 3) a majority of the customers in the petitioning exchange responding to a poll indicate that they favor its installation. Minn. Stat. § 237.161, subd. 1 (a) (1990).

In processing EAS petitions, the Commission's threshold determinations are whether the petition meets the statute's adjacency and traffic requirements. If so, the Commission sets EAS rates which are then used in polling the subscribers of the petitioning exchange. Finally, if polling shows that there is adequate support among the subscribers, the Commission orders the affected telephone companies to install the EAS.

Adjacency

In this case, it is clear that the petitioning Hinckley exchange meets the adjacency requirement with respect to the Pine City, Mora and Sandstone exchanges. The exchange maps on file with the Department show that Hinckley shares common borders with each of these exchanges. Sandstone's petition for EAS to the Hinckley exchange also meets the adjacency requirement due to Sandstone and Hinckley's shared border.

Traffic Requirement

According to traffic studies filed by USWC in these joined matters, more than 50% of the subscribers in each petitioning exchange make one or more calls per month to the petitioned exchange. However, the Commission declines to make findings at this time regarding traffic levels between the exchanges based on the traffic studies filed to-date. Similar traffic studies filed in recently considered EAS cases have been found unacceptable because they were based on unreliable traffic data produced using a methodology that the Commission has found inadequate.¹

¹ See, e.g. In the Matter of the Petition for Extended Area Service From Iron Trail United Communities, Docket NO. P-421, 407/CP-87-747, ORDER REQUIRING REVISED TRAFFIC STUDIES, COST STUDIES AND PROPOSED RATES FOR THIRTEEN ROUTES (September 17, 1991).

In the Iron Trail Order and others like it, the Commission directed the Department, USWC, and other affected telephone companies to meet to develop a comprehensive methodology for traffic studies. Likewise in this case, the Commission will require the parties to determine a comprehensive traffic study methodology for the EAS routes and refile traffic studies based on that methodology.

Cost Studies and Proposed Rates

If the new improved traffic studies confirm adequate traffic, the Commission will next proceed to set EAS rates to be used in polling. The foundation for such rates are cost studies for the EAS routes in question.

To assure high quality cost studies, the Commission will require USWC to meet with the Department within 10 days of filing traffic studies to determine a methodology and time period that USWC will use to develop cost studies and proposed rates for routes that meet the traffic criterion. Within 30 days of the date that USWC and the Department agree on a cost methodology, the companies will file cost studies and proposed rates for the routes in question. The cost studies and proposed rates will be based on that agreed methodology and meet the further requirements set forth in Ordering Paragraph 7 of this Order.

ORDER

1. U S West Communications, Inc. (USWC) shall file revised traffic studies for the Hinckley to Pine City, Mora, and Sandstone routes and the Sandstone to Hinckley route. The revised traffic studies may be based on the traffic study methodology agreed upon by USWC and the Department following the September 19, 1991 Iron Trail Order.
2. If USWC has already met, conferred, and agreed with the Department regarding the traffic study methodology, USWC shall file the revised traffic studies within 45 days of the date of this Order.
3. If USWC has not already met, conferred, and agreed with the Department regarding the traffic study methodology, USWC
 - a. shall meet and confer with the Department and agree upon a comprehensive traffic study methodology for the EAS routes in these cases within 30 days of this Order; and

- b. shall file the new traffic studies within 45 days after reaching such agreement.
- 4. USWC shall notify the Commission immediately, simply by filing the traffic study, if any routes in any of these petitions should fail the 50% criterion using the new traffic study methodology.
- 5. Within 10 days after USWC files traffic studies for any routes that meet the traffic criterion, USWC shall consult with the Department again to determine a methodology and time period that USWC will use to develop cost studies and proposed rates.
- 6. Within 30 days after USWC and the Department agree on the above cost study methodology, USWC shall file cost studies and proposed rates for the routes meeting the traffic criterion.
- 7. The cost studies and proposed rates filed pursuant to Ordering Paragraph 6 shall
 - a. meet the requirements of Minn. Stat. § 237.161, specifically including only lost toll contribution, as opposed to lost toll revenue;
 - b. for the Hinckley petitions, provide one rate alternative that places 50% of the costs on Hinckley, the petitioning exchange, and another rate alternative that places 75% of the costs on Hinckley;
 - d. for the Sandstone petition, one rate alternative that places 50% of the costs on Sandstone, the petitioning exchange, and another rate alternative that places 75% of the costs on the Sandstone petition;
 - e. use a 400% stimulation factor, as USWC agreed to use in the Iron Trail EAS case;
 - f. use 1992 cost elements, including a gross receipts tax factor of 0%, the rate which will be in effect at the time the cost studies are filed;
 - g. are based on a traffic study methodology developed jointly by the company and the Department;
 - h. include a narrative description of the process used to arrive at a methodology acceptable to all parties;
 - i. include any cost savings gained by establishing EAS for the four communities at the same time;

8. Within 45 days of the filing of USWC's cost studies and proposed rates, the Department shall file with the Commission and serve upon the petition sponsors and USWC its report and recommendation regarding the new traffic studies, cost studies and proposed rates, including a recommendation regarding the rates that should be included on the ballots.
9. Parties shall have 20 days following the filing of the Department's report and recommendation to file comments thereon.
10. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)